

Message Text

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C O N F I D E N T I A L STATE 148767

E.O. 11652: GDS

TAGS: MARR, MASS, GR, US

SUBJ: US-GREEK DEFENSE COOPERATION DISCUSSIONS:PARITY
IN PROCUREMENT

REF: A) STATE 78011 (072002Z APR 77); B) ATHENS 4406 (111744Z
MAY 77)
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1. THE FOLLOWING POSITIONS AND INSTRUCTIONS ON THIS SUBJECT ARE FOR USE BY THE US DELEGATION WHEN NEGOTIATIONS RESUME.
2. BACKGROUND INFORMATION AND INSTRUCTIONS FOR THE PREVIOUS ROUND IN REFTEL A CONTINUE TO APPLY EXCEPT FOR PARAS 4, 5, AND 6. REF B CONTAINS CURRENT GREEK COUNTERDRAFT OF EXCHANGE OF NOTES PROPOSED BY US IN REFTEL A.
3. INITIALLY, THE GREEKS VIEWED AN EXCHANGE OF NOTES RE-

FLECTING THOSE DEFENSE ARTICLES WHICH THE US WOULD BE WILLING TO SELL THEM AS MERELY A POLITICAL REQUIREMENT TO SHOW "SIMILIARITY" WITH THE US-TURKEY DCA. SINCE THEN , THE GREEK SERVICES HAVE SEIZED ON THIS ISSUE AS A MEANS OF ACQUIRING MATERIAL THEY DESIRE UNDER MORE FAVORABLE TERMS. THEY HAVE, HOWEVER, TAKEN PAINS OT EMPHASIZE THAT THEY CONSIDER THIS ISSUE TO BE "NEGOTIABLE" AND ONE WHICH WOULD NOT CAUSE A DELAY IN OVERALL AGREEMENT ON THE DCA. NEVERTHELESS, AS US DEL SUGGESTED URING THE LAST ROUND, WE FULLY EXPECT THE GREEKS TO HAGGLE OVER EVERY ITEM THEY SUSPECT MIGHT BE OBTAINABLE.

4. US COUNTERDRAFT EXCHANGE OF NOTES IS CONTAINED IN PARA 8 BELOW. OUR OBJECTIVE IS TO CONVINCE THE GREEKS THAT EQUIPMENT LISTED IN THE CATEGORIES OF "EXCESS DEFENSE ARTICLES" AND "FROM STOCKS" REPRESENT THE SUM TOTAL OF WHAT WE ARE ABLE TO PROVIDE.

5. AT THE VERY OUTSET IN DISCUSSIONS ON THIS ISSUE YOU SHOULD DISPEL ANY LINGERING GREEK EXPECTATIONS THAT WE CAN ENTER INTO A COMMITMENT TO SELL THEM THE ROLAND 11 MISSILE SYSTEM. REITERATE UNEQUIVOCALLY THAT SUCH A TRANSACTION IS CONFIDENTIAL

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IMPOSSIBLE BECAUSE OF A FORMAL MEMORANDUM OF UNDERSTANDING AMONG THE US, FRG, AND FRANCE. THE OVERALL MOU IS CLASSIFIED AND WE CANNOT PROVIDE IT TO THE GREEKS. HOWEVER, IF NECESSARY, YOU MAY VERBALLY ADVISE GREEKS THAT UNDER THE AGREEMENT FRANCE AND GERMANY RESERVE TO THEMSELVES AND THEIR CONTRACTORS (SUBJECT TO GOVERNMENTAL APPROVAL) THE EXCLUSIVE RIGHTS OF SALE REGARDING THE ROLAND TO ALL OTHER NATO COUNTRIES.

6. AFTER YOUR DISPOSITION OF THE ROLAND QUESTION, YOU SHOULD ATTEMPT TO RETURN THE PARITY AND PROCUREMENT ISSUE TO A POSITIVE PLANCE BY INFORMING THE GREEKS THAT WE FORMALLY AGREE TO THE WITHDRAWAL OF THEIR PROPOSED LANGUAGE REGARDING THEIR PURCHASE OF J-79 ENGINES THROUGH FMS. THE LETTER OF OFFER COVERING THIS PURCHASE HAS BEEN ACCEPTED BY GREECE AND IS BEING IMPLEMENTED. WE ARE PLEASED THAT THIS PROBLEM WAS SETTLED TO GREECE' SATISFACTION OUTSIDE THE CONTEXT OF THESE NEGOTIATIONS.

7. IN PRESENTING THE NEW US COUNTERDRAFTED EXCHANGE OF NOTES YOU SHOULD MAKE THE FOLLOWING POINTS, SOME OF WHICH WE HAVE MADE BEFORE. A. WE STILL REGARD THIS PARITY IN PROCUREMENT EXCHANGE OF NOTES TOBE AN UNNECESSARY DOCUMENT; WE HAVE NO SALES RESTRICTIONS OR LIMITATIONS WHICH ARE APPLIED SPECIFICALLY TO GREECE; WHAT WE HAVE AVAILBLE FOR SALE TO GREECE, WE WOULD SELL WITHOUT SUCH AN EXCHANGE OF NOTES. B. WE HAVE REVIEWED THE LIST OF EQUIPMENT IN THE MOST RECENT GREEK COUNTER DRAFT AND HAVE MADE AN EXHAUSTIVE EF-

FORT TO ACCOMMODATE THE REQUESTS IT CONTAINS TO MAXIMUM EXTENT POSSIBLE. C. AS WE EXPLAINED BEFORE, WE HAVE CERTAIN LIMITATIONS WHICH WE CANNOT VIOLATE; WE HAVE NO LEGAL MEANS TO DECLARE AS EXCESS FOR THE PURPOSE OF SALE EQUIPMENT OR MATERIAL WHICH IS NOT ACTUALLY EXCESS; WE CANNOT SELL EQUIPMENT OR MATERIAL FROM STOCKS WHICH WOULD ADVERSELY IMPACT ON THE READINESS OF THE US ARMED FORCES. D. WHEN DELIVERY TIME IS NOT CRITICAL, WE SEE NO ADVANTAGE IN GREEK PURCHASE OF EQUIPMENT OR MATERIAL FROM US STOCKS; THE COST WOULD BE THE SAME AS FROM NEW PROCUREMENT.

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8. US COUNTERDRAFT EXCHANGE OF NOTES: BEGIN TEXT. "EXCELLENCE, I HAVE THE HONOR TO REFER TO THE DEFENSE COOPERATION AGREEMENT, SIGNED (BLANK) 1977 BY THE GOVERNMENT OF THE HELLENIC REPUBLIC AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND TO CONFIRM THAT DURING THE FIRST FOUR YEARS THE AFORESAID AGREEMENT IS IN FORCE, THE UNITED STATES GOVERNMENT IS PREPARED TO DO THE FOLLOWING, SUBJECT TO ITS LEGISLATIVE REQUIREMENTS: 1. THE UNITED STATES GOVERNMENT WILL OFFER FOR SALE TO THE GOVERNMENT OF THE HELLENIC REPUBLIC, AT THE LOWEST PRICES CONSISTENT WITH APPLICABLE UNITED STATES LAW, THE FOLLOWING EXCESS DEFENSE ARTICLES 8 S-2E AIRCRAFT; 2. ASHEVILLE CLASS GUNBOATS, 5 THOUSAND 5"/38 ROCKET ASSIST PROJECTILE (RAP) AMMUNITION. 2) THE UNITED STATES GOVERNMENT WILL OFFER FOR SALE TO THE GOVERNMENT OF THE HELLENIC REPUBLIC, AT THE LOWEST PRICES CONSISTENT WITH APPLICABLE UNITED STATES LAW, THE FOLLOWING DEFENSE ARTICLES FROM AVAILABLE STOCKS OF THE UNITED STATES DEPARTMENT OF DEFENSE: 5 P-3A AIRCRAFT; 18 T-33A AIRCRAFT; 4,000 3"/50 CTG SFVT AMMUNITION; 1,000 5"/38 PROJ VT AMMUNITION; AND M48 TANK SPARE PARTS. DELIVERY OF THE ABOVE DESCRIBED ARTICLES WILL BE EFFECTED AS EXPEDITIOUSLY AS PRACTICABLE. 3). THE UNITED STATES GOVERNMENT WILL ALSO OFFER FOR SALE TO THE GOVERNMENT OF THE HELLENIC REPUBLIC, AT A FAVORABLE PRICE CONSISTENT WITH APPLICABLE UNITED STATES LAW, THE FOLLOWING DEFENSE ARTICLES FROM NEW PROCUREMENT: A BROOKS OR KNOX CLASS VESSEL; MK-46 TORPEDOES; TOW LAUNCHERS WITH MISSILES AND SUPPORT SPARES; HELICOPTERS; AN/MRC-108, PRC-74; PRC-77, AND GRC-160 RADIOS; M83A TANK CONVERSION KITS; M113A1 APC. THE TWO GOVERNMENTS SHALL CONSULT REGARDING THE SPECIFICATIONS,

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QUANTITIES, PRIORITIES AND DELIVERY DATES OF THE ABOVE ARTICLES.

IT IS UNDERSTOOD THAT A PART OF THE DEFENSE SUPPORT ENVISAGED IN PARAGRAPH 2 OF ARTICLE XIV OF THE DEFENSE COOPER-

ATION AGREEMENT MAY BE USED BY THE GOVERNMENT OF THE HELLENIC REPUBLIC TO FINANCE THE PROCUREMENT OF DEFENSE ARTICLES FROM PROGRAMS ALREADY IN PROCESS WITHOUT PREJUDICE TO THE TERMS OF THE EXISTING CONTRACTS GOVERNING THESE PURCHASES. IT IS FURTHER UNDERSTOOD THAT THE ABOVE-MENTIONED UNDERTAKING OF MY GOVERNMENT ARE TO BE CARRIED OUT CONSISTANT WITH THE PURPOSES SET FORTH IN THE FIRST PARAGRAPH OF ARTICLE XIV OF THE AFORESAID DEFENSE COOPERATION AGREEMENT AND ARE NOT EXCLUSIVE OF ADDITIONAL ARRANGEMENTS WHICH MAY BE MADE BY THE PARTIES PURSUANT TO THAT ARTICLE. THESE UNDERTAKINGS WILL BE CARRIED OUT IN ACCORDANCE WITH, AND SUBJECT TO, THE PROVISIONS OF THAT AGREEMENT AND WITH CONTRACTUAL OBLIGATIONS SPECIFIED IN THE APPLICABLE LOA AND THE GENERAL PRACTICES APPLICABLE TO ALL OTHER RECIPIENT COUNTRIES AND WILL BE UNDER TERMS NOT LESS FAVORABLE THAN THOSE ACCORDED TO OTHER ALLIED COUNTRIES.

IF THE FOREGOING IS ACCEPTABLE TO THE GOVERNMENT OF THE HELLENIC REPUBLIC, I HAVE THE HONOR TO PROPOSE THAT THIS NOTE, TOGETHER WITH YOUR EXCELLENCY'S NOTE IN REPLY INDICATING SUCH AGREEMENT, SHALL CONSTITUTE AN AGREEMENT BETWEEN OUR TWO GOVERNMENTS AND SHALL ENTER AND REMAIN IN FORCE CONCURRENTLY WITH THE AFORESAID DEFENSE COOPERATION AGREEMENT." END TEXT.

9. ITEMS IN SUB-PARA 3 OF ABOVE TEXT INCLUDE ALL ITEMS IN NEW PROCUREMENT CATEGORY LISTED IN CURRENT GREEK COUNTERDRAFT (REFTEL B) EXCEPT: A. ROLAND, B. MK-37 TORPEDOES, C. F16 AND F-16B AIRCRAFT, AND D. AMPHIBIOUS CRAFT. RATIONALE FOR DELETION OF ROLAND PROVIDED IN PARA 5 ABOVE. MK-37 TORPEDOES ARE NO LONGER AVAILABLE FROM NEW PROCUREMENT. CONFIDENTIAL

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MENT. FOR F-16, WE ARE NOT PREPARED AT THIS TIME TO DISCUSS OFFER OF THIS MAJOR ITEM WHICH WOULD REQUIRE PRESIDENTIAL DETERMINATION AND CONSULTATION WITH THE CONGRESS. FOR AMPHIBIOUS CRAFT, TYPE REQUESTED BY GREECE CANNOT BE PRODUCED AT ECONOMIC PRICE IN QUANTITIES LESS THAN 500, A NUMBER THAT IS IMPRACTICAL TO CONSIDER.

10. WHILE EXPRESSING OUR WILLINGNESS TO SELL THESE ITEMS, YOU SHOULD MAKE SURE THE GREEKS UNDERSTAND THE FOLLOWING: ALL ORDERS OF MAJOR DEFENSE EQUIPMENT OVER \$7 MILLION REQUIRE A PRESIDENTIAL DECISION AND NOTIFICATION TO THE CONGRESS. FOR OH-58 HELICOPTERS, MINIMUM ORDER OF 50 IS REQUIRED. PR-77 RADIOS ARE MORE READILY AVAILABLE THROUGH DIRECT PURCHASE.

11. THE US COUNTERDRAFT DOES NOT INCLUDE THE PROVISION DESIRED BY THE GREEKS FOR A US WAIVER OF R&D COSTS AND PLANT AND ASSET USE CHARGES RELATED TO THEIR CURRENT PURCHASE OF 24 F/RF-4E AIRCRAFT. DURING THE LAST ROUND, WE

INFORMED THEM THAT WE DID NOT CONSIDER THE SUBJECT APPROP-
RAITE FOR DISCUSSIONS IN THE CONTEXT OF THE PARITY IN PRO-
CUREMENT NOTE AND THIS POSTURE SHOULD BE MAINTAINED IF
GREEKS PRESS ISSUE.

12. REFERENCE TO EXPEDITED DELIVERY OF 40 155 MM HOWITZERS
IS NOT INCLUDED IN THE US COUNTERDRAFT BECAUSE THIS ACTION
IS ALREADY UNDERWAY. HOWEVER, IF THE GREEKS INSIST, WE
HAVE NOT OBJECTION TO SUCH REFERENCE.
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